

Message Text

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ORIGIN EUR-12

INFO OCT-01 AF-08 ARA-06 EA-07 NEA-10 ISO-00 AID-05 CEA-01
CIAE-00 COME-00 EB-08 FRB-03 INR-07 IO-13 NSAE-00
USIA-06 OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 NSC-05 SIG-01 MMO-01 FEAE-00 OES-06
ERDA-05 ERDE-00 INT-05 XMB-02 STR-04 OIC-02 PA-01
PRS-01 L-03 /149 R

DRAFTED BY EUR/RPE:ACALBRECHT:CS
APPROVED BY E - RICHARD COOPER
EB - J. KATZ
E - C. FRANK
EB - S. BOSWORTH
S/S-LREDDY

-----171708Z 077832 /56

R 170044Z MAR 77
FM SECSTATE WASHDC
TO USMISSION EC BRUSSELS
AMEMBASSY OTTAWA
AMEMBASSY TOKYO
AMEMBASSY STOCKHOLM
AMEMBASSY CANBERRA
AMEMBASSY MADRID
AMEMBASSY BERN
USMISSION OECD PARIS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
AMEMBASSY COPENHAGEN

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E.O. 11652: GDS

TAGS: CIEC

SUBJECT: US-EC TALKS ON CIEC ISSUES

REF: OECD PARIS 06292

1. MICHAEL BUTLER OF UK FONOFF CALLED ON UNDER SECRETARY DESIGNATE COOPER ON MARCH 10 TO REVIEW STATUS OF CIEC PREPARATIONS AND OUTLINE EC POSITIONS AS THEY EMERGED FROM MARCH 8 EC COUNCIL MEETING. HIGHLIGHTS FOLLOW:

2. COMMODITIES. BUTLER SHOWED COOPER A COPY OF THE EC POSITION PAPER ON COMMODITIES THAT WAS APPROVED AT MARCH 8 MEETING. COOPER NOTED THE REFERENCE TO "OWN RESOURCES" IN THE EC POSITION ON THE COMMON FUND AND SAID THERE MIGHT BE A PROBLEM IF THIS IMPLIED AN APPROACH MEASURABLY DIFFERENT FROM THE US OVERDRAFT IDEA. BUTLER EMPHASIZED THE EC VIEW, WHICH PARALLELED THAT OF THE U.S., THAT ANY BUFFER STOCK FINANCING FACILITY IN THE COMMON FUND SHOULD BE DEVOTED TO STABILIZING COMMODITY PRICES AND NOT TO DIVERSIFICATION PROJECTS OR IMPROVING PRODUCTIVITY. THE LATTER IS FOREIGN AID AND IT SHOULD NOT BE MIXED IN WITH BUFFER STOCK FINANCE. IN RESPONSE TO BUTLER'S QUESTION ABOUT THE FEASIBILITY OF THE U.S. OVERDRAFT IDEA COOPER SAID THAT THERE SEEMED TO BE LEGAL PROBLEMS IN DOING THIS THROUGH THE IMF AND THAT IT MIGHT BE MORE FEASIBLE TO ASSOCIATE IT WITH THE IBRD. BUTLER WAS OPTIMISTIC THAT THE EC MEMBER STATES WOULD BE ABLE TO GO ALONG WITH THE OVERDRAFT IDEA OUTLINED BY THE U.S. THE DUTCH WOULD LIKE TO HAVE A COMMON FUND WITH LARGE FINANCIAL RESOURCES BUT WOULD PROBABLY GO ALONG PROVIDED THE EC POSITION SEEMED TO BE REASONABLY CONSTRUCTIVE. COOPER SAID THAT WE HAD AGREED NOT TO INTRODUCE THE OVERDRAFT IDEA IN UNCTAD BUT TO HOLD IT IN CONFIDENTIAL

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RESERVE FOR CIEC.

3. TRANSFER OF RESOURCES AND DEBT. COOPER SAID THAT THE REAL PROBLEM REMAINED THAT OF OBTAINING CREDIT IN CIEC FOR THE ACTIONS WE WOULD TAKE ANYWAY. BUTLER AGREED AND SAID THAT IT WAS CLEAR THAT SOMETHING MORE HAD TO BE DONE TO SATISFY THE G-19. HE RECOGNIZED THE U.S. COULD NOT GIVE MORE TO IDA BEYOND IDA V REPLENISHMENT AND WAS LOOKING FOR WAYS IN WHICH THE U.S. MIGHT PARTICIPATE IN THE EC PLAN FOR AN ADDITIONAL \$1 BILLION FOR IDA COUNTRIES. ONE SUGGESTION WAS THAT THOSE COUNTRIES WHICH COULD GIVE ADDITIONAL FUNDS TO IDA WOULD DO SO INCLUDING PERHAPS SOME OPEC COUNTRIES. THOSE COUNTRIES SUCH AS THE U.S. WHO COULD NOT WOULD PLEDGE TO ACT IN A PARALLEL MANNER E.G. BY SUPPLYING FOOD AID OR BILATERAL AID TO IDA COUNTRIES. COOPER NOTED THIS MIGHT BE FEASIBLE GIVEN THE RELATIVELY LARGE INCREASE WE PLAN IN OUR BILATERAL AID TO AFRICAN COUNTRIES. THIS INCREASE WOULD BE ABOUT \$300 MILLION - APPROXIMATELY THE U.S. SHARE OF THE ADDITIONAL \$1 BILLION.

BOTH SIDES AGREED THAT WE SHOULD STAY AWAY FROM PERCENTAGE AID-GIVING TARGETS AND REFER INSTEAD TO INCREASED AMOUNTS OF AID. BUTLER WAS VERY CONCERNED THAT THE U.S. AND THE EC CONSULT CLOSELY ON THIS DEBT/RESOURCE TRANSFER QUESTION. HE SAID THE NEXT EC DISCUSSION WOULD BE ON MARCH 18 BUT HE WANTED TO BE IN TOUCH WITH US AGAIN BEFORE THE APRIL 5 EC COUNCIL MEETING SO THAT THE EC WOULD NOT LOCK ITSELF IN ON APRIL 5 TO A POSITION WITH WHICH THE U.S. COULD NOT LIVE. IT WAS AGREED THAT WE WOULD STAY IN TOUCH THROUGH DIPLOMATIC CHANNELS.

4. ENERGY. COOPER SAID WE HAD TWO THINGS IN MIND ON ENERGY: (1) DEVELOPING THE ENERGY RESOURCES OF NON-OIL LDCS WHICH COULD BE PURSUED THROUGH THE IBRD AND (2) A CONTINUATION OF THE ENERGY DIALOGUE BEYOND THE CIEC MINISTERIAL. BUTLER THOUGHT THAT SOME REFERENCE COULD BE MADE IN THE CIEC COMMUNIQUE TO A CONTINUING DIALOGUE BUT CONFIDENTIAL

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THAT THIS IDEA SHOULD NOT BE INTRODUCED UNTIL THE VERY END OF THE CIEC DISCUSSIONS. COOPER SUGGESTED THAT WE MIGHT TRY FOR A SPECIFIC POSITIVE STATEMENT THAT THE ENERGY COMMISSION WOULD MEET AGAIN. BUTLER BELIEVED THAT EC COULD GO ALONG WITH OUR DESIRE TO DEVELOP ENERGY RESOURCES IN NON-OIL LDCS. THIS FIT IN WELL WITH THE EC DESIRE TO PROTECT INVESTMENT. BOTH SIDES AGREED THAT THERE COULD BE CIEC COMMUNIQUE LANGUAGE REFERRING TO AN ENHANCED ROLE FOR THE IBRD IN STIMULATING ENERGY RESOURCE PROJECTS. THE US AND THE EC WOULD HAVE TO WORK OUT AGREED LANGUAGE.

5. TRADE. BOTH SIDES RECOGNIZED THAT PROTECTIONIST PRESSURE IN SUCH FIELDS AS SHOES AND TEXTILES WOULD MAKE IT DIFFICULT FOR THE G-8 TO GET ANY CREDIT ON THE TRADE SIDE IN CIEC. BUTLER SAID THAT THE EC MIGHT BE ABLE TO SAY SOMETHING ABOUT IMPROVED GSP BUT AGREED WITH COOPER THAT THE FOCUS OF ANY CIEC COMMUNIQUE LANGUAGE WOULD HAVE TO BE ON THE MTN.
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